

Message Text

LIMITED OFFICIAL USE

PAGE 01 SEOUL 06722 042241Z

70

ACTION AID-59

INFO OCT-01 EA-11 ISO-00 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08

CEA-02 DODE-00 PM-07 H-03 L-03 PA-03 PRS-01 USIA-15

ACDA-19 IO-15 AGR-20 EUR-25 IGA-02 DRC-01 /276 W

----- 017292

R 040930Z OCT 73

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 406

LIMITED OFFICIAL SEOUL 6722

EO 11652 NA

TAGS: EGEN, IBRD, KS

SUBJ: IBRD ECONOMIC SURVEY AND RELATIONS WITH ROKG

REF A.SEOUL 4901 B.STATE A-7648 C.CERP

SUMMARY: IBRD TEAM HAS CONCLUDED MONTH-LONG SURVEY WITH GENERALLY FAVORABLE IMPRESSION OF NEW LONG-TERM ECONOMIC PLANS, THOUGH SOME DOUBTS EXPRESSED RE CERTAIN ASPECTS OF HEAVY INDUSTRY PLAN. KOREA CONTINUES TO HAVE GOOD RELATIONS WITH IBRD, ON WHICH IT DEPENDS FOR FAVORABLE SUPPORT OF ITS POLICIES AND FOR ABOUT DOLS 125 MILLION ANNUALLY IN LOANS. END SUMMARY.

1. SEVEN-MAN IBRD ECONOMIC SURVEY MISSION HEADED BY PARVEZ HASAN COMPLETED ONE-MONTH VISIT THIS WEEK. TEAM CONCENTRATED ON NEW LONG-TERM ECONOMIC AND HEAVY INDUSTRY DEVELOPMENT PLANS FOR 1973-81, THOUGH AGRICULTURAL AND OTHER POLICIES ALSO DISCUSSED. TEAM EXPECTS TO COMPLETE REPORT IN DECEMBER FOR CIRCULATION IN ADVANCE OF FEBRUARY CG MEETING IN TOKYO.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SEOUL 06722 042241Z

WHILE ROKG COMPLETED PLANS FOR 1974 BUDGET AND FOR

NEW HEAVY INDUSTRY FINANCING FUND DURING TEAM VISIT, DRAFT OVERALL RESOURCES BUDGET (WHICH INCLUDES BOP ESTIMATES FOR 1973-74) HAS BEEN DELAYED BY PL 480 QUESTION AND WILL BE FORWARDED TO TEAM LATER. IN ANY CASE, HASAN STATES ORIENTATION OF REPORT WILL BE LONG-TERM, NOT SHORT-TERM.

2. BASED ON CONVERSATIONS WITH TEAM MEMBERS AND KOREAN COUNTERPARTS, OUR IMPRESSION IS THAT MISSION LEFT WITH GENERALLY OPTIMISTIC OUTLOOK RE PROSPECTS FOR CONTINUED RAPID EXPANSION OF INDUSTRY AND EXPORTS. BASED ON PAST RECORD AND CURRENT INDUSTRIAL BASE AND COMPETITIVENESS, KOREAN OVERALL GROWTH PROJECTIONS FOR 1973-81 DO NOT SEEM UNREALISTIC, GIVEN CONTINUATION OF A FAVORABLE INTERNATIONAL CLIMATE. (KOREA SEEMS CERTAIN TO EXCEED IN 1973 ITS EXPORT AND IMPORT TARGETS FOR 1974 ESTABLISHED ONLY LAST SPRING IN ITS NEW LONG-TERM PLAN.)

3. CERTAIN ASPECTS OF THE HEAVY INDUSTRY PLAN APPEARED QUESTIONABLE, HOWEVER, REFLECTING IN PART ITS HASTY PREPARATION. DEPENDENCE ON MARKETS, TECHNOLOGY AND SKILLS AND CONSEQUENT NEED FOR CAREFUL TIMING WILL BE EMPHASIZED IN MISSION REPORT. TEAM'S INDUSTRIAL CONSULTANT WAS MOST OPTIMISTIC ABOUT SHIPBUILDING PROSPECTS BUT HE WAS DUBIOUS ABOUT EARLY NEED FOR SECOND STEEL PLANT, SINCE EMPLOYMENT PROJECTIONS ARE BASED ON PAST GERMAN INDUSTRIAL STRUCTURE AND LARGELY UNRELATED TO ACTUAL INVESTMENT PLANS, THIS AREA PROVED VERY DIFFICULT TO EVALUATE. SAVINGS TARGETS WERE VIEWED AS DIFFICULT BUT NOT IMPOSSIBLE OF ATTAINMENT, AND MEMBERS SEEMED IMPRESSED WITH WIDE RANGE OF MEASURES PLANNED.

4. AGRICULTURAL ECONOMIST HRISTENSEN DISCUSSED THE REPORT OF LAST FALL'S IBRD AGRICULTURAL SURVEY TEAM, WHICH GENERALLY RECOMMENDED THAT SAEMUL AGRICULTURAL INVESTMENTS BE CARRIED OUT OVER LONGER TIME PERIODS, AS THE GOVERNMENT NOW PROPOSES IN ITS NEW LONG-TERM LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SEOUL 06722 042241Z

PLAN. CHRISTENSEN INDICATED THAT REPORT WAS WELL RECEIVED BY MAF AND EPB AND THAT ONLY MINOR FACTUAL CHANGES WILL BE MADE IN FINAL REPORT TO BE DISTRIBUTED TO CG. IN VIEW WORLDWIDE AGRICULTURAL SHORTAGES, KOREANS EVIDENCED EVEN MORE INTEREST IN GREATER EFFORTS TO INCREASE AGRICULTURAL PRODUCTION. TEAM ECONOMISTS QUESTIONED FUTURE PRICE POLICIES AND PREDICTIONS RE RURAL EMPLOYMENT AND SAVINGS. THEY

ALSO CLARIFIED THAT OFF-FARM INCOME IN 1981 IS
ACTUALLY PROJECTED AT 40 RATHER THAN 50 PERCENT OF
TOTAL FARM INCOME.

5. IN SUMMARY, TEAM APPARENTLY CAME TO CONCLUSIONS
SIMILAR TO OURS REPORTED IN JULY IN REF (A), I.E.,
LONG-TERM ECONOMIC PLANS APPEAR REASONABLE IN
GLOBAL TERMS, BUT AMBITIOUS AND SOMEWHAT ARBITRARY
HEAVY INDUSTRY PLAN WILL REQUIRE CAREFUL, PRAGMATIC
IMPLEMENTATION. WE CONVEYED INFORMATION RE
UNREALISTIC POPULATION GROWTH RATE ASSUMED IN PLAN,
WHICH COULD MAKE AS MUCH AS 20 PERCENT DIFFERENCE
IN PER CAPITA GNP BY 1981.

6. RE QUESTIONS OF IBRD-ROK RELATIONS RAISED IN
REF (B), TEAM DISCUSSIONS WERE APPARENTLY FRANK AND
FRIENDLY, WHICH HAS BEEN CASE IN RECENT YEARS.
KOREANS DEPEND ON IBRD FOR (1) FAVORABLE ANNUAL
REPORTS TO DONORS WHICH ARE DISCUSSED IN CG (IECOK)
MEETINGS AND (2) PROVISION OF ABOUT DOLS 125 MILLION
IN LOANS ANNUALLY, OR ROUGHLY ONE-FOURTH OF DOLS 500
MILLION IN TOTAL ASSISTANCE LOANS ANNUALLY EXPECTED (OTHER
ASSISTANCE FINANCING BEING CONFINED ALMOST EXCLUSIVELY TO
JAPAN, US AND ADB). ONLY PUBLIC ISSUE IN PAST YEAR
HAS BEEN KOREA'S ELIGIBILITY FOR IDA FINANCING, AND
KOREANS NOW SEEM RECONCILED TO THEIR NEGLIGIBLE
CHANCES OF RECEIVING FURTHER IDA COMMITMENTS. ROKG
DOES REASONABLY GOOD JOB OF COORDINATING ITS LOAN
APPLICATIONS AND RELATIONS WITH IBRD. LOCAL PRESS,
HEAVILY INFLUENCED BY GOVERNMENT ATTITUDE, HAS BEEN
FAVORABLE TO IBRD OPERATIONS AND POLICIES.
DECONTROL FOLLOWING 10/4/76.

HABIB
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 SEOUL 06722 042241Z

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 04 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973SEOUL06722
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731050/aaaabkvv.tel
Line Count: 154
Locator: TEXT ON-LINE
Office: ACTION AID
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A.SEOUL 4901 B.STATE A-7648 C.CERP
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 19 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Nov-2001 by elyme>; APPROVED <18-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IBRD ECONOMIC SURVEY AND RELATIONS WITH ROKG
TAGS: EGEN, KS, IBRD
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005